

schemes were set on foot, for the time was essentially a period of transition. The industrial and commercial world had barely set foot upon the threshold of the wonderful development of the eighteenth and nineteenth centuries. Great Britain until the time of Elizabeth had been only a second or third rate power in Europe, overshadowed by the great Kingdoms of France and Spain, by the ancient prestige of the German Emperor, and by the power of the Pope. Her influence was raised by the defeat of the Spanish Armada, but the population of England and Wales at the Revolution of 1688 was only five and a half millions, and the supremacy in the money markets and trade of the world still belonged to the bankers and merchants of Holland and Italy. The use of bank-notes, except as mere certificates against which coin and bullion was held to the full amount, had begun only thirty years before the Revolution, and the proper management of a banking currency was almost purely a problem of abstract theory rather than of practical experience. If merchant princes and the kings of finance stood upon the threshold of an unknown world, the mass of the community but dimly viewed it from afar. They were easily deluded by extravagant hopes and easily misled by the fairy tales of the splendid riches and possibilities of the Western Continent. Least of all could the general public be expected to grasp instantly the fact, which is not accepted by great masses of people to-day, that a paper currency, in order to have a steady purchasing power, must be redeemable on demand in coin. As Mr. Cunningham acutely says, regarding the run upon the Bank of England in 1696 :

This was a principle which men did not find it easy to recognize. They saw that the man who had wealth in any shape had credit; but they did not apparently understand that bills can only be circulated, when there is a certainty that they can be met on presentation, and that wealth, in forms which cannot be readily realized, is not a satisfactory basis for a credit circulation.¹

The suspension of specie payments was naturally followed by a depreciation in the bank-notes. The discount on July

¹ *Growth of English Industry and Commerce*, II., 397.